

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6171

BILL NUMBER: HB 1021

NOTE PREPARED: Nov 15, 2011

BILL AMENDED:

SUBJECT: Assessed Value Cap for Disabled Veteran Deduction.

FIRST AUTHOR: Rep. Mahan

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill amends the law that provides a property tax deduction to a veteran who has a total disability or is at least 62 years old and has at least a 10% disability to eliminate the provision of the law under which a veteran is disqualified from the deduction if the assessed value (AV) of the veteran's tangible property exceeds \$143,160.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of Local Revenues* below regarding potential impact from the circuit breaker credits.

Explanation of Local Revenues: Under current law, there are two property tax deductions available to disabled veterans. Some veterans may qualify for both deductions.

Veterans with wartime service and a service-connected disability of at least 10% or their surviving spouses are entitled to property tax deduction of \$24,960 on their real or personal property. There are no qualifications on AV.

In addition, veterans or their surviving spouses are currently entitled to a property tax deduction of \$12,480 on their real or personal property if the veteran is either totally disabled or at least age 62 with a disability

of 10% or more. The disability need not be service-connected nor does the service need to be wartime service. In order to qualify, the AV of the property must be less than \$143,160. This bill would remove the AV cap beginning with taxes payable in CY 2012.

For taxes payable in 2011 (2007 in LaPorte County), approximately 14,375 veterans received "totally disabled veteran" property tax deductions totaling \$171 M in AV. A review of assessed values of single-family homestead residences shows that about one-third of these homesteads have assessed values that are at or above \$143,160.

Based on current assessed value levels, this bill could result in an estimated additional 7,200 deductions for totally disabled veterans. The total amount of the deduction could increase by about \$90 M. The additional deduction amount would shift about \$2 M in taxes statewide from disabled veterans to all other taxpayers. A portion of the \$2 M tax shift may result in additional circuit breaker losses for local taxing units and school corporations. Rate-controlled funds would lose revenue equal to the loss in net AV multiplied by the fund rate.

State Agencies Affected:

Local Agencies Affected: County auditors.

Information Sources: OFMA Property Tax Database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.